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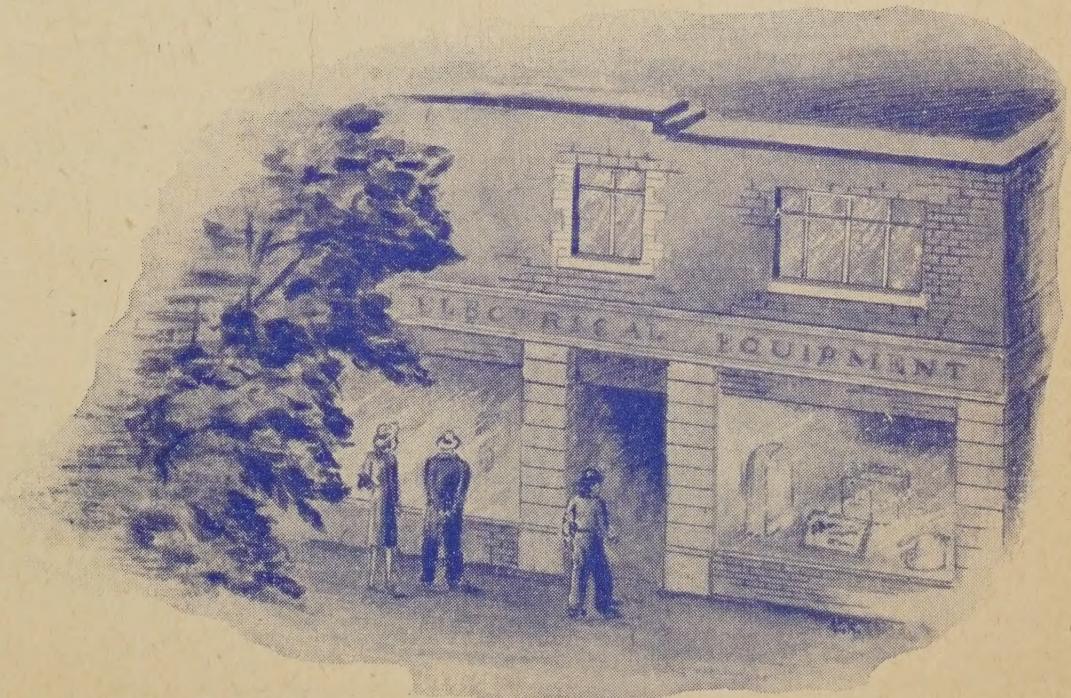
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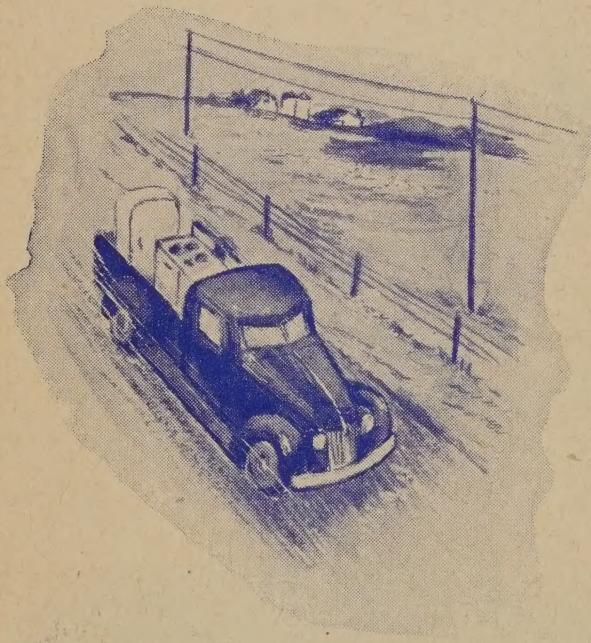
New LOAN PROGRAM FOR CONSUMERS

**Simplified Low-Cost Financing
of Wiring, Plumbing, and Farm
and Home Electrical Equipment**

U.S. REA



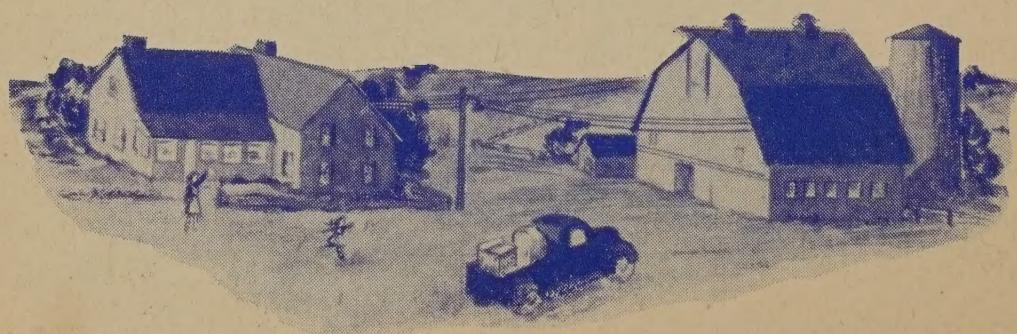
NEW LOW INTEREST RATE



CONGRESS, in passing the Rural Electrification Act of 1936, charged REA with the responsibility of lending funds to rural people, through its borrowers, at low interest rates, to speed the wiring of rural farmsteads and the purchase of plumbing and electrical equipment. Under this act, REA's interest rates to borrowers were about 3 percent, and the borrowers in turn were authorized to charge consumers 6 percent interest on these installation loans. Passage of the Act of Congress of September 1944, popularly termed the Pace Act, reduced the interest rates on all REA loans to its borrowers to 2 percent.

In keeping with this reduced rate, REA, in this new program, has set 4 percent as the interest rate which its borrowers may charge consumers on all installation loans. At this low interest rate, consumers will wish to take advantage of this sound financing.

Experience of borrowers in handling consumer loans has shown definitely that returns to the borrower are such that the 2-percent margin between the interest charged the borrower by REA and that charged the member or consumer will cover the cost of handling the loan by the borrower.



HOW THE LOANS ARE MADE

A N REA borrower, finding a need among its consumers for REA's low-cost financing, wants to borrow funds to lend to them, for wiring, plumbing, and electrical equipment purchases. What is the procedure?

First, the borrower sets up a credit committee among its membership that will perform its job with care and diligence. This committee's function will be to consider consumers' applications for loans and refer them to the cooperative or other borrower.

Second, the borrower submits to REA a detailed application for loan funds based on its estimated requirements for financing consumer purchases over a given period and accompanied by an appropriate resolution of its board of directors. The borrower is not required to submit consumer paper to REA.

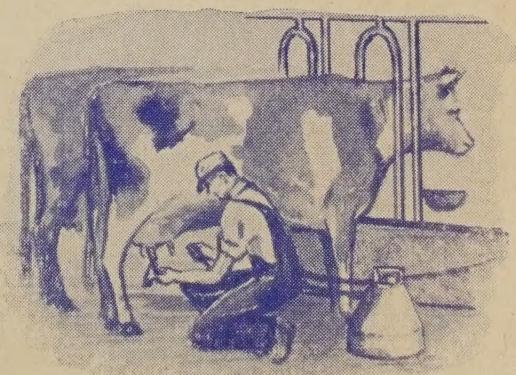
Third, REA considers the applications, as nearly as possible, in the order received. The necessary papers are prepared for signature by the borrower.

Fourth, REA advances funds to borrowers on the basis of *one note* received from the borrower for each allocation of funds.

Fifth, the borrower requisitions advances against the allocation. These advances must be placed in a special trust account earmarked to finance consumer wiring, plumbing, and electrical-equipment purchases.

Sixth, the borrower receives the consumers' notes and prepares contracts for the repayment of the terms of the note and the amount of the purchase. The borrower stamps the notes and contracts immediately upon receipt to indicate the lien of the Government. The borrower retains the notes and contracts and returns them to the consumer on repayment in full of the note.

REA's required forms and procedures for installation loans, including legal forms, are being shortened and simplified.



ADVANTAGES OF NEW PROGRAM

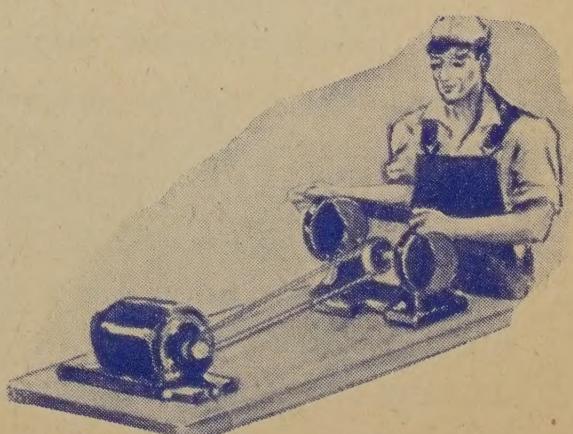
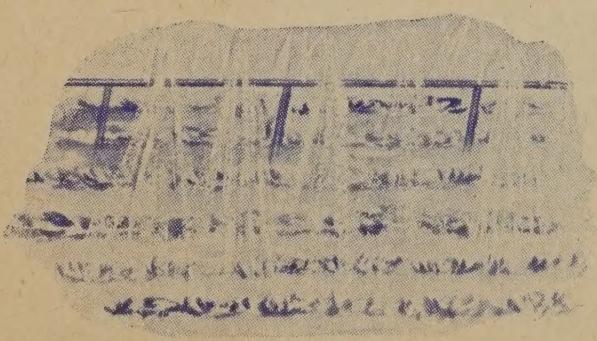
... EASIER ... QUICKER

Estimates of advances.—Borrowers may, under the new procedure, estimate *in advance*, the amount of funds required for their consumer loan activities. (Previously they had to attach consumer notes or contracts to their requisition for funds.)

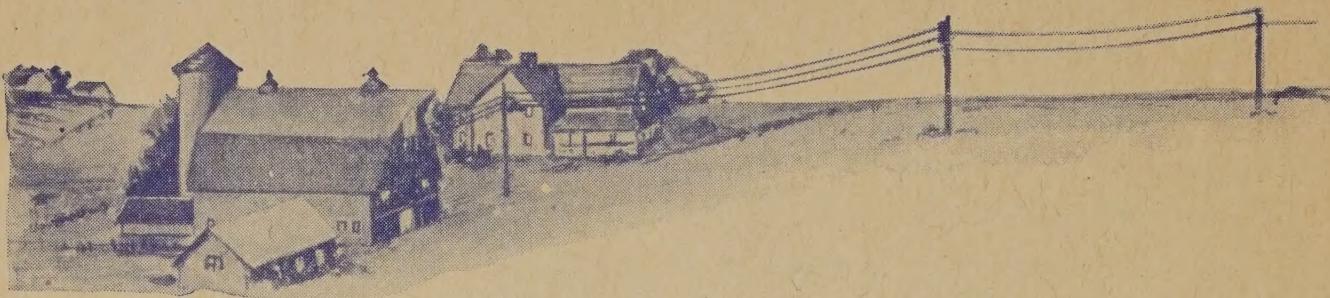
Only one note per allocation.—REA borrowers seeking to make consumer loans may now submit only one note for each allocation of funds. That note may cover several advances during a Government fiscal year. (Previously a separate note was required for every advance of funds made under an allocation. The new procedure eliminates much paper work.)

Borrowers retain consumer paper.—Under the new procedure, borrowers keep the consumers' notes and contracts in their possession, provided that they stamp them immediately upon receipt to indicate the Government's lien. In States where physical delivery is required, the borrower's attorney may act as a Government agent to hold the consumer obligations, rendering an account to REA as required. (Heretofore all consumer notes and contracts received by the borrower in connection with consumer loans had to be sent to REA.) Whether the borrower or its attorney holds the consumer papers, they are kept locally and can be returned to the consumer when the obligations have been paid in full.

Dealers endorse on recourse basis.—In line with current practice in the appliance business, and to reduce the risk of the loan to the borrower, consumer notes or contracts, except those for farmstead wiring and plumbing installations, must now be endorsed by dealers on a recourse basis; that is, if the original signer does not pay, the dealer must. The recourse plan will be on a basis equitable to the dealer. REA borrowers will receive full details of the dealer-recourse plan in a later publication.



REA Offers . . .



• • • • **A** NEW, simple, streamlined plan for long-term, low-cost financing of wiring, plumbing, and electrical equipment by members and other consumers of its borrowers. The REA borrower acts as fiscal agent for the Federal Government, borrowing funds at low interest from REA and lending them, also at low interest, to its members or consumers.

• • • • **A** CONSUMER-LOAN program that REA borrowers can operate with a minimum of paper work and handling of accounts—work that will be more than offset by increased consumer activity in the program.

• • • • **L**OW-COST, convenient financing for rural families when they install their wiring, plumbing, and electrical equipment.

Rural people will spend money for electrical farm equipment and installations because they know they can make money by using them. And they will install electrical home equipment because they know the greater comfort and convenience of an electrified home.

The United States Department of Agriculture survey report of the postwar market reveals that farmers and nonfarm rural dwellers will spend \$4,526,293,000 within the first few postwar years for wiring, plumbing, and electrical equipment, broken down as follows:

<i>Wiring</i>	\$752,003,000
<i>Plumbing</i>	707,940,000
<i>Equipment and appliances</i>	3,066,340,000

The loan program described in this folder helps the rural people to acquire these things that they want and need. It would be overoptimistic to expect that members or consumers of REA borrowers can finance all their electrical and other postwar purchases solely on a cash basis. Therefore, the program fills a real need, because it aids borrowers to meet pent-up buying demand by supplying some of the necessary consumer credit, at low interest rates and with a minimum of delay.

WHAT CAN BE FINANCED?

- Farm and household wiring, including lighting fixtures.
- Complete plumbing installations, including electric pump, pressure tank, septic tank, piping, sink, toilet, washbowl, and bathtub or shower compartment.
- Farm and home electrical equipment and appliances as specified from time to time by the REA Administrator.

TERMS OF FINANCING

Wartime regulations prescribed by the Federal Reserve Board¹ govern the installment buying of certain consumer goods. For items of equipment not covered by these regulations, borrowers are authorized to offer the following terms for financing consumer purchases:

1. Interest at 4 percent per annum on current unpaid balance. This applies to any installation or purchase, regardless of Federal Reserve Board regulations.
2. Down payment is 20 percent of the retail installed price.
3. Repayments may be monthly, quarterly, or annually.
4. The maximum period for repayments is 5 years.
5. The maximum amount of a single loan is \$500, but loans in higher amounts may be made with special REA approval.
6. The minimum amount of a single loan is \$10.

¹ All REA borrowers, if they have not done so, should get a copy of Regulation W, Consumer Credit Bulletin of the Federal Reserve Board. Copies may be obtained from your nearest Federal Reserve Bank.

UNITED STATES DEPARTMENT OF AGRICULTURE

Rural Electrification Administration

ST. LOUIS 2, MO.



